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May 25, 2011

Chairman Julius Genachowski
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Dear Chairman Genachowski,

I am writing to comment on the proposed changes to the Lifeline program as per the Notice of Proposed Rulemaking adopted March 3, 2011. In particular, I am currently conducting research to understand the causes of phonelessness, and believe some of my findings may be useful to your proceedings on this matter. I define phonelessness as being without any form of working telephone with which a person can make and receive calls at their home, including a traditional wireline telephone or a mobile phone or any other type of voice connection. While this research is not yet complete, the timing of the proceeding requires that I provide you the information available based on preliminary results.

Description of Research Project

United States household telephone penetration experienced a decline from 2003 to 2005, a time when mobile telephone penetration was increasing and we would expect to see a corresponding increase in household penetration.¹ Household penetration is considered the presence in the home of a working telephone of any type, including wireline and mobile, upon which one can both make and receive calls. This is consistent with the question currently used in the Current Population Study (CPS) that is used by the Federal Communication Commission (The Commission) to measure household telephone subscribership.² Thus, when mobile

¹ See in Appendix I, US Household Voice Penetration as reported by The Commission.

² The actual wording of the question is: "Does this house, apartment, or mobile home have telephone service from which you can both make and receive calls? Please include cell phones, regular phones, and any other type of telephone." (Federal Communication Commission. 2006. "Telephone subscribership in the U.S. (Data through November 2005)." May.)



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telephone penetration is increasing, any household that previously did not have a wireline telephone but did obtain a mobile telephone would cause an increase in household telephone penetration. Also, as the CPS question was changed during this period (in December 2004) to specifically include mobile telephones, respondents who may have previously interpreted the question to mean wireline telephones only may have been responding that they did not have a telephone in the household, causing an understatement of household telephone penetration prior to December 2004. This means that the drop experienced from 2003 to 2005 may actually be larger than indicated by the CPS results used in The Commission reporting. Econometric analysis of this recent period of household telephone penetration decline provides some surprising results, indicating that we lack sufficient knowledge and understanding of the causes of disconnection from the voice network.³ If we are to consider the best use of Universal Service Funds, as expressed throughout The Commission's March 3 Notice of Proposed Rulemaking, we need to better understand the target population, that sometimes invisible population that falls through the cracks and cannot obtain or maintain connectivity to voice telephone services. In this research project I seek to do this by conducting a pilot study in Massachusetts designed to better understand this population by interviewing individuals who are currently or recently phoneless.

This study was designed to better understand the results of the econometric analysis mentioned above. Thus there is a particular focus on the role of wireless telephony and how it might be leading to phonelessness. There are a number of possible stories of how increased mobile penetration might lead to a decrease in household telephone penetration that are consistent with the data and econometric results, but it is impossible to know which is true without actually talking to people and learning about their experiences. One such story is that people may have felt, based on advertising of fixed priced wireless plans in the period of interest, that a mobile phone would be less expensive than a wireline telephone, thus disconnecting their wireline telephone upon obtaining the wireless telephone. If the consumer then went over his plan's allocated minutes, something easy to do especially when paying for incoming calls, then their bill would be unexpectedly high, possibly leading to inability to pay the bill and disconnection of the service. There was a conscious trade-off made in this study to obtain the

³ Gideon and Gabel, "Disconnecting: Understanding Decline in Universal Service," revised March, 2011. See Appendix III.



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stories of why households found themselves disconnected at the sacrifice of creating a statistically valid sample.⁴ Also, while the survey used in this study includes questions about the Lifeline program, it was not designed to understand the role of Lifeline and why it might be underutilized by those experiencing phonelessness, though some subjects did provide information of this nature during their interviews. If it were deemed useful to conduct a similar study to better answer the questions raised in the Notice of Proposed Rulemaking, there are many specific questions related to Lifeline that should be included.

Interviews were conducted at locations identified where there would be people with the highest probability of being or having recently been phoneless (i.e. in the last ten years). This includes food pantries, community service centers and bus stops identified for us by community activists. Many in the population we wished to approach are wary and suspicious of strangers and people who may be associated with the government, and thus were likely to refuse to talk to us. To provide an incentive to participate in the study we offered a \$20 gift card to a local grocery store to each participant at the conclusion of the interview, and promised that we would not ask their name or other personally identifying information and that they would not be contacted by anyone regarding the interview. To prevent incentive to falsely identify oneself as phoneless in order to obtain the gift card, we conducted interviews without screening first for phonelessness. This made the choice of locations extremely important to use our fixed resources effectively in obtaining as many phoneless interviews as possible.

Relevant Preliminary Findings

The preliminary results discussed in this comment are based on interviews completed with a total of 230 subjects, 83 of which had a current or recent phoneless experience.⁵ Of these 83 subjects who have experienced phonelessness, 14 (17%) were phoneless at the time they were interviewed, 69 (83%) were not phoneless when interviewed, but had been in the past ten years,

⁴ Precedent for this tradeoff exists in Mueller and Schement, "Universal Service From the Bottom Up: A Profile of Telecommunications Access in Camden, New Jersey," *The Information Society* 12 (3), 273-291, 1996. In the current study this tradeoff is made to a different degree. Mueller and Schement had a much smaller sample size (14 total, 12 of whom had current or recent disconnects) while they also had much deeper involvement with their subjects, including multiple extensive interviews over a long period of time as well as records kept by the subjects.

⁵ See Appendix I for tables summarizing the preliminary data discussed in this comment.



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and six (7%) were both phoneless at the time of the interview and at some previous time in the past 10 years. All of the interviews included in the preliminary results were conducted in the summer and fall of 2010.

As expected, most of the subjects who experienced phonelessness had low household incomes, with 70 (84%) with income below \$25,000, 6 (7%) with income between \$25,000 and \$49,999, and 3 (3%) with income \$50,000 or above. Several of these subjects reported part-time or full-time employment (30%), while 47 (58%) reported they were unemployed. When asked the reason for being phoneless, 29 (35%) stated it was because they had no job.

Most of the 14 currently disconnected subjects had been disconnected recently, with 8(57%) who became phoneless in the past six months. Two (14%) subjects had been phoneless for longer than one year. Of the 83 subjects who experienced phonelessness either at the time of the interview or sometime in the previous ten years, 22 (26%) were disconnected for longer than one year. Almost half of the subjects (37, or 44%) were phoneless for 6 months or less, while 11 (13%) were phoneless for 7-12 months. Interestingly, 13 (16%) subjects were unable or unwilling to answer this question.

Phonelessness is not a choice. Of the 14 subjects who were phoneless at the time of their interview, 10 (71%) stated it was not their choice to be phoneless, 2 (14%) did not reply to the question, and 2 (14%) stated it was their choice. However, the substance of the responses of these two subjects indicates that this may be subject to interpretation. One of these respondents stated that she chose to be phoneless because she did not trust any of the telephone companies. She said that they promised her bill would be the same low amount every month and it was not, which led her to be unable to pay her bill and then lose service. She claimed they all lie and she did not want to deal with them anymore. The other subject who claimed to be phoneless by choice said it was because telephone service was too expensive. All but one (93%) of the 14 currently phoneless subjects considered voice connection at home to be very important. On a scale of 1-5, with 5 being critically important and 1 being not important at all, 11 (79%) considered the importance of voice to be 5 and 2 (14%) considered the importance of voice to be 4. Of the 83 subjects who were phoneless either at the time of the interview or in the prior ten years, 70 (84%) considered the importance of voice to be 5 while another 8 (10%) considered it to be 4. As it is sometimes stated that people may be choosing to be phoneless as they see less



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value in telephone voice service if they can use the Internet, we included questions regarding Internet access in the survey. Of the 14 subjects who were phoneless at the time of their interviews, 2 (14%) had Internet access at home. When asked to choose between voice telephone, texting, Internet and cable television, 70 (84%) of the 83 subjects who have been phoneless considered voice telephone the most important communication service.

The role of wireless. Of the 14 subjects who were phoneless at the time they were interviewed, 10 (71%) had substituted their wireline telephone for wireless, becoming a mobile-only household. Three (21%) of the 14 currently phoneless subjects had never had a mobile phone. Of the 83 subjects who experienced phonelessness, 20 (24%) had previously substituted their wireline telephone for wireless, becoming a mobile-only household. However, a total of 37 (45%) subjects were mobile-only at the time they became phoneless. Of the 69 subjects who had been phoneless but currently were not, 34 (49%) reconnected to voice service with a mobile phone.

The role of unpredictable bills. When asked why they were disconnected from voice service, 20 (24%) of the 83 subjects who had experienced phonelessness stated it was because of unexpected increases or changes to their telephone bill.⁶ This was the second largest reason given, after having no job. Note that 19 (23%) of the subjects claimed that the reason for disconnection was that they could not afford the bill. This was true for all subjects, but in these cases the interviewers were unable to get the subjects to further elaborate on why they could not afford the bill. Thus some of these may also be due to unexpected increases or changes in their bills. This reinforces the importance of predictability of the cost of telephone service for maintaining connection, which should be considered in any revisions to the Lifeline program.

Prepaid mobile phones. The survey in this study was not designed to determine the role of prepaid mobile phones in particular. This is unfortunate, as the substance of many responses provided by subjects indicated that prepaid telephones are very important to alleviating phonelessness. If further surveys of this nature are deemed useful, this is something that should be explored. Several subjects who had previously been phoneless proudly showed us their

⁶ This is consistent with the findings of Mueller and Schement, "Universal Service From the Bottom Up: A Profile of Telecommunications Access in Camden, New Jersey," *The Information Society* 12 (3), 273-291, 1996.



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prepaid phones, (sometimes Safelink phones provided through the Lifeline program). Several subjects claimed that if it were not for the prepaid phone, they would still be disconnected from voice service. Several of these subjects stated that they could not get any other kind of voice service because it required a contract and they would not qualify for a contract for reasons such as remaining outstanding telephone bills, other unpaid bills, and/or lack of job. Several also said they would not have telephone service that was not prepaid because with prepaid there was no possibility of having a bill they cannot pay. Some of these subjects also mentioned they use their phone very infrequently, keeping it largely for emergencies.

Findings directly related to Lifeline. It is interesting to note that half of the 14 currently phoneless subjects were not at all familiar with the Lifeline or Linkup programs.⁷ While 7 of the subjects were familiar with the program, only 2 had participated. On a scale of 1 to 5 with 5 being the most useful, one of these subjects rated Lifeline usefulness a 5 and the other rated it a 1. Obviously, though, none of the 7 who knew about Lifeline were enrolled at the time of their interviews. As the survey was not designed to determine why some who are in need of voice service assistance are not enrolled in Lifeline, this was not pursued further by the interviewers. However, some of the subject responses did provide some enlightenment. For example, one respondent stated that because he was in a group home situation, the address was already being used for Lifeline and he was thus refused the service. Of the 83 subjects who were phoneless either currently or sometime in the past ten years, only 47 (57%) were familiar with the Lifeline or Linkup program, and 14 (17%) had participated in the program, some at the time of the interview.

Different Population. Concurrent with this study I have been conducting another study to look at phonelessness. This involves analyzing cases of telephone disconnection brought to the Massachusetts Department of Telecommunications and Cable (MDTC). The data from these cases differ from the data from the survey interviews in many ways, including: (1) they involve disconnection of wireline service only, which may or may not result in phonelessness, depending on if the consumer has a wireless phone at the time, and this information is not provided; (2) the information contained in the record of these cases was obtained and recorded by the MDTC staff with the objective of resolving the case, not with determining the causes of phonelessness; and

⁷ Any subject who stated they had heard of the program was considered familiar.



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(3) these cases involve consumers who have the knowledge, sophistication, advice, and or willingness to contact the MDTC. It is this third difference in particular that became clear in the course of conducting the interviews discussed in this comment. As mentioned above, many of those we interviewed are wary and not trusting of state agencies and officials. These are people who do not contact the MDTC to file a complaint. Yet this population is often most in need of assistance, and most prone to falling through the cracks of our best designed programs. Based on my experienced and observation with people of this population, I think it is important that any policy design and administration consider this population as different in terms of outreach, marketing, and delivering Lifeline telephone services.

Implications for Proceeding

While not quantified, I believe the importance of prepaid mobile telephones is one of the most important findings for the purposes of the proposed Lifeline reforms. This is also supported by the finding that unpredictability in the telephone bill is a significant cause of phonelessness. There are two ways to think of this with regards to Lifeline reform. One is that if prepaid mobile telephones are most useful to keeping the population connected, perhaps it is counterproductive to keep the Lifeline program technologically neutral. In the interest of achieving the highest possible level of universal service at the lowest possible cost, if there is one form of telephone service or platform that is most efficient, it is most sensible to design the program around using this service or platform.

Another way to think about this finding is from a business model perspective. It may be that the important element is the prepaid service, regardless of the wireless platform. This may lead to several modifications that would improve the Lifeline program. For example, concerns about duplicate payments for a single customer from different providers may be addressed with a different compensations mechanism designed to be more suitable to prepaid telephone service. Currently, reimbursements are made based on monthly use and billing. However, a prepaid service business model is not monthly, but rather transactional. Thus the compensation mechanism for the providers should be transactional in nature as well, rather than monthly. A transactional compensation system will also address the problem of unused service. As the compensation will happen at the time of the provision of a set amount of service on a prepaid basis, program participants who use their telephone service very sparingly in order to conserve



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their minutes for when they are most needed, will not be excluded from the program for 60 days of nonuse, which would undermine the objective of the program. The Commission can create rules that limit the amount of service that can be purchased each month or in some other way to prevent abuse of the program. The result could be a much simpler and more easily monitored system of compensation to Lifeline service providers.

I recommend further study to determine to what extent prepaid telephone service, or specifically prepaid mobile service, may be a more efficient and effective means of achieving universal service. Such a study would not be difficult to design. The study I have discussed in this comment should be modified to (1) ask questions specifically about different types of platforms and services, (2) ask more specific questions about awareness, use and nonuse of Lifeline, and (3) provide a more statistically valid representative sample.

Respectfully yours,

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Appendices

- I. The Phoneless in the Broadband Age: A Pilot Study in MA - Preliminary Results as of April 1, 2011
- II. Survey instrument
- III. Gideon and Gabel, "Disconnecting: Understanding Decline in Universal Service," revised March 2011.